



Ciena Calls Position for Multi-Year Breakout

Ticker/Price: CIEN \$43

Analysis:

Ciena (CIEN) with 1400 ITM April \$35 calls bought today up to \$9.30 to open and still has over 2,000 January \$40 calls in OI that are priced close to where they were bought back in August as well as nearly 3,000 January 2022 \$45 calls from buyers in September. Shares are trading in a nice bull flag under \$44 after gapping up out of a base in December on earnings. A move higher targets \$48 but moving out of a wide weekly flag that stretches back to early 2019 which has upside to \$60. The \$6.58B optical leader trades 14X earnings and 1.85X sales with mid-teens EPS growth in 2021. CIEN sees mid-single digit revenue growth as they capitalize on 5G spending from service providers. CIEN has the best diversification among peers through both geography and customer base and continue to win share with product growth in WaveLogic AI while their WaveLogic 5e is coming to market. CIEN is well positioned to take advantage of a number of major multi-year tech themes like IoT, mobility, data center, and cloud spending. Analysts have an average target for shares of \$49 with 18 buy ratings, 4 hold and 1 sell. MSCO upgrading to Overweight on 1-8 with a \$50 PT. The firm thinks CIEN has multiple levers it can pull to achieve 20% earnings growth and their meaningful market lead in optical will drive share gains over the next couple years. The firm does not think optical is a tough space but CIEN has an edge over peers being first with 800G and nearly first with 400ZR. Short interest is 5.5% and near 10-year lows. Hedge fund ownership rose 3.3% in Q3.

Hawk Vision:



Hawk's Perspective: CIEN is putting in a bit of a reversal candle today after gapping higher and unable to break through that resistance. The positioning here is longer-term and one where you can wait for a better setup.

Confidence Ranking: \$\$